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FOR IMMEDIATE RELEASE:
February 15, 2006

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Cox Announces Settlement with Eighth Finance Company over NorVergence Telecommunications Fraud Claims

LANSING -- Michigan Attorney General Mike Cox today announced that he and the Attorneys General of eight other states, the Georgia Governor's Office of Consumer Affairs, and the District of Columbia have reached a settlement agreement with BB&T Leasing Corporation (BB&T) in connection with a widespread telecommunications fraud involving NorVergence, Inc., a bankrupt New Jersey-based telephone equipment and service company.

"These settlements offer resolution to affected consumers struggling to meet dead-end obligations and to those consumers sued by the finance companies for payment," said Cox. "Consumers who were scammed when trying to cut phone expenses are provided relief from finance companies attempting to collect fees for services that were not provided."

This is the eighth settlement agreement reached in connection with collection agreements held by leasing companies involved with the financing of telecommunications services formerly sold by NorVergence to Michigan consumers.

In the latest settlement agreement, BB&T agreed to write off approximately \$6 million in lease payments nationwide, including approximately \$346,370 claimed to be owed by Michigan customers. Other states participating in the settlement are Connecticut, Delaware, Georgia, Illinois, Maryland, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, and the District of Columbia.

(MORE)

Since late 2004, Cox and Attorneys General from across the country have reached similar agreements with TCF Express Leasing, Wells Fargo Financial Leasing, US Bancorp Business Equipment Finance Group, CIT Technology Financing Services, De Lage Landen Financial Services, US Express Leasing, and Irwin Commercial Leasing.

BB&T, TCF, Wells Fargo, US Bancorp, CIT, De Lage Landen, US Express Leasing and Irwin Commercial Leasing are eight of approximately 40 financing companies involved with the financing of telecommunications services through the use of data routers that NorVergence called the Matrix box. NorVergence enticed customers to enter into agreements for a Matrix box that purported to provide telecommunications services by false claims of dramatic savings. While rental agreements were typically for three to five years with payments of \$500 to \$2,000 per month, the market price of the Matrix box was not more than \$1,500. After securing contracts with customers, NorVergence sold the agreements to different finance companies.

When NorVergence was forced into bankruptcy in June 2004, its customers were left without service but the finance companies maintained they were still responsible for the five-year rental agreement payments. Customers who did not pay faced being sued or threatened with suits in the states in which the finance companies have their corporate headquarters, in most cases, a distant and inconvenient forum for the NorVergence customers.

All consumers who signed agreements with NorVergence that were bought by BB&T will receive a notice in the mail regarding the opportunity to participate in the settlement. To accept the settlement offer, consumers must follow instructions contained in the notice. Also, any consumer who previously settled with BB&T can opt to receive substantially the same terms of this settlement, if they choose.

A copy of the settlements with each of the eight finance companies can be viewed at the Attorney General's Web site: www.michigan.gov/ag under the Consumer Protection link.